

August 02, 2023

Bharti Telecom Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial paper	5,000.00	5,000.00	[ICRA]A1+; rating reaffirmed
Commercial paper	13,000.00	-	[ICRA]A1+; rating reaffirmed and withdrawn
Total	18,000.00	5,000.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in Bharti Telecom Limited's (BTL) status as the holding company of Bharti Airtel Limited (BAL), a leading player in the Indian telecommunications industry. The company enjoys healthy financial flexibility on account of its 38.5% stake in BAL as on June 30, 2023, which has a market value of more than Rs. ~1,90,000 crore (as on July 31, 2023) and provides significant market value buffer. The rating also continues to derive comfort from BTL's reputed and resourceful promoters—Bharti Group and Singapore Telecommunications Limited (Singtel).

BTL is dependent on dividends from its only investee company—BAL. During the current fiscal, BTL will receive around Rs. 870 crore as dividends from BAL. Moreover, while the market value buffer is comfortable, it remains vulnerable to BAL's share price movement.

ICRA also notes that the debt levels in BTL as on June 30, 2023 were around Rs. 15,790 crore as debt was availed to fund its portion in the rights issue of BAL in October 2021, followed by the acquisition of stake from the Singtel Group. In the first call of BAL's Rs. 21,000-crore rights issue in October, only 25% of the amount was collected, while the balance can be called over the next 15 months in two tranches. Moreover, BTL has bought around 3.2% stake in BAL, which was sold by the Singtel Group. Thus, the debt levels in BTL have increased materially, although they are likely to remain comfortable compared to the market value of the investments.

ICRA has withdrawn the short-term rating of [ICRA]A1+ assigned to the Rs. 13,000 crore commercial paper (CP) programme of Bharti Telecom Limited. The rating is withdrawn in accordance with ICRA's policy on withdrawal and at the request of the company as there is no amount outstanding against the rated instrument.

Key rating drivers and their description

Credit strengths

Principal holding company of BAL – BTL holds around 38.5% stake in BAL, which has an established market position in the telecom industry in India through integrated telecommunications operations with a diversified presence across geographies and business verticals. BAL's operating metrics have been consistently improving, improving its financial risk profile as well. Moreover, BAL's deleveraging initiatives in the past, including the sizeable fund-raising and the recent rights issue and equity infusion by Google, demonstrate its financial flexibility. Thus, a consistent improvement in the cash flow generation from operations would strengthen BAL's credit profile, going forward.

Reputed and resourceful promoter group – The company has reputed and resourceful promoters, namely BEHPL that holds a 50.6% stake, and the Singtel Group that holds a 49.4% stake. Moreover, the promoters have followed a conservative approach in the past by infusing equity and deleveraging the company.

Healthy financial flexibility – The market value of BTL’s investment is more than Rs. 1,90,000 crore (as on July 31, 2023). With its stake being entirely unencumbered, BTL has a healthy financial flexibility, indicated in the very low total debt/market value of unencumbered asset ratio.

Credit challenges

Investment concentration in BAL – BAL is BTL’s only investment, making its operating cash flow dependent on the dividends and thus, the performance of this investee company. Its primary source of income is the dividend income from BAL. BAL declared dividend in FY2023, of which BTL received a dividend of Rs. 600 crore. In the current fiscal, the company is expected to receive a dividend of Rs. ~870 crore.

Vulnerability to market risks – BTL’s investment value in BAL is vulnerable to the share price performance of BAL and remains exposed to market risks.

Liquidity position: Strong

The company does not have any operations of its own and primarily derives income from the dividends from BAL. The strong liquidity emanates from the healthy market value buffer on investments. Additionally, BTL also enjoys healthy financial flexibility by virtue of a low total debt/market value of unencumbered assets, and its strong and reputed promoters.

Rating sensitivities

Positive factors – Not Applicable.

Negative factors – Pressure on the rating could arise if there is a significant deterioration in the credit profile of the key investee company -BAL. Any significant increase in BTL’s debt levels, and/or a significant decline in the market value buffer of its investments in BAL would also impact its financial flexibility and weigh on the rating.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Holding companies Policy on Withdrawal of Credit Ratings
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

BTL is a part of the Bharti Group, which has been promoted by Mr. Sunil Bharti Mittal. The company primarily has investments in BAL. BTL does not have any operations of its own and derives its income from the dividends from BAL and income from the other investments of surplus funds. It is the holding company of Bharti Airtel Limited (the principal operating company), which is a leading player in the Indian telecommunications industry. BTL’s promoters are the Bharti Group and Singapore Telecommunications Limited [Singtel; rated A1(Stable) by Moody’s Investor Services].

About the Sponsors

Bharti Enterprises (Holding) Private Limited – It is a holding company of the Mittal family, which has investments in the Bharti Group’s businesses like telecom and insurance. BEHPL holds a 50.56% stake in BTL and is rated [ICRA]A1+.

SingTel Group – Singapore Telecommunications Limited (SingTel) is the leading integrated communications services provider in Singapore. It is also the second-largest integrated telecommunications operator in Australia through its wholly-owned subsidiary Singtel Optus Pty Limited. Singtel also has a number of investments in cellular operators throughout the region, resulting in a regional footprint in 21 countries. The company is 52% owned by Temasek Holdings (Private) Limited, which in turn is 100% owned by the Government of Singapore. Singtel holds a 49.44% stake in BTL and is rated Moody's A1 (Stable).

Key financial indicators (audited)

BTL Standalone	FY2022	FY2023
Operating income	111	610
PAT	-62	-305
OPBDIT/OI	97.7%	99.5%
PAT/OI	-56.0%	-49.9%
Total outside liabilities/Tangible net worth (times)	0.2	1.9
Total debt/OPBDIT (times)	18.6	26.7
Interest coverage (times)	0.7	0.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2024)			Chronology of rating history for the past 3 years							
		Type	Amount rated (Rs. crore)	Amount outstanding as on Jun 30, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023			Date & rating in FY2022	Date & rating in FY2021	
					Aug 02, 2023	Sep 27, 2022	Sep 12, 2022	Aug 23, 2022	Jul 28, 2022	Mar 04, 2022	Mar 30, 2021	Jun 05, 2020
1	Commercial paper	Short term	5,000	1,020	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Commercial paper*	Short term	13,000	-	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

*Rs. 13,000 crore CP is withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE403D14445	Commercial Paper	29-05-2023	7.23%	18-08-2023	190	[ICRA]A1+
INE403D14445	Commercial Paper	30-05-2023	7.23%	18-08-2023	550	[ICRA]A1+
INE403D14452	Commercial Paper	14-06-2023	7.24%	13-09-2023	280	[ICRA]A1+
NA*	Commercial Paper	NA	NA	NA	3,980	[ICRA]A1+
NA*	Commercial Paper**	NA	NA	NA	13,000	[ICRA]A1+; withdrawn

Source: Company

* Unplaced

**Rs. 13,000 crore CP is withdrawn

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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